

CORPORATE DYNAMICS: Exploring the Nexus of Company Size, Leverage, Profitability, and the Regulatory Role of Variable Tax Aggressiveness

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ABSTRACT

Tax avoidance is one of the efforts to minimize the tax burden that is often carried out by companies, because it is still within the framework of applicable tax regulations. The purpose of this study is to empirically prove the effect of Company Size, Leverage, Profitability simultaneously on Company Value in mining sector companies listed on the IDX in 2017-2021, the total population in this study is 47 companies. Samples were obtained using the purposive sampling method, so 41 companies were obtained. The research approach used in this study is quantitative research. The secondary data used is obtained from financial statements according to the selected criteria. The data collection method is carried out using purposive sampling by processing data using the Eviews software tool version 9. Data analysis using Panel Data Regression and Moderating Regression Analysis. Based on the paired test model using Chow Test, Hausman Test and Lagrange Multiplier Test, the best model used is the Fixed Effect Model. The calculation results state that Company Size, Leverage and Profitability together have a significant positive effect on the Company Value of Mining Companies listed on the Indonesia Stock Exchange during the 2017-2021 period.

Keywords: Company Size, Leverage, Profitability, Tax Aggressiveness, Company Value

INTRODUCTION

The government always strives to optimize tax revenue, but there are always obstacles. The implementation of tax collection by the government does not always get a good response from companies, there are obstacles in tax optimization. In reducing the amount of tax to be paid, companies can reduce the tax value while still following applicable tax regulations or reduce the tax value by taking actions that are not in accordance with the law. There are several ways of active resistance to taxes, namely tax avoidance and tax evasion. Tax avoidance is one of the efforts to minimize the tax burden that is often carried out by companies, because it is still within the framework of applicable tax regulations. While tax evasion is an attempt by taxpayers to avoid taxes

owed illegally by hiding the true situation. This method is not safe for taxpayers, because the methods and techniques used are not within the corridors of tax laws and regulations. The method taken is high risk and has the potential to be sanctioned for violating the law (Apriliyani & Kartika, 2021).

Tax aggressiveness is the act of manipulating taxable income by doing tax planning. Tax avoidance is an action managers take to reduce the tax burden. Tax aggressiveness actions carried out through tax planning strategies generally try to avoid sanctions due to the application of taxes that violate tax laws and regulations in Indonesia and also as tax planning made to streamline the tax burden through transactions that have no business purpose, in this case the company still carries out its obligation to pay taxes, but the company still uses a tax aggressiveness strategy to minimizing the tax burden incurred and its impact on the state by reducing the receipt of funds from the tax sector, cases of tax aggressiveness often take the form of tax avoidance which are still found in many cases from various business and economic sectors (Firmansyah, et, al., 2021).

Acts of tax aggressiveness carried out by companies with tax planning through tax avoidance are allowed if based on applicable laws. However, if the actions taken by the company are very aggressive it will hinder the optimization of the tax revenue sector, this becomes a very important issue to get more attention. Not only is it an example for the wider community, including related companies, but it can also be a benchmark for the government to be able to continue to make efforts to reduce taxpayer non-compliance.

Indications or causes of tax aggressiveness in this study can be caused by several factors such as profitability and leverage. (Widodo & Wulandari, 2021) Profitability is the ability of a company to make a profit over a certain period. Profitability can describe the fundamental performance of the company in terms of the level of efficiency and effectiveness of the company's operations in obtaining profits. Low profitability can reflect the company is having difficulty meeting short-term obligations. Difficulties can trigger companies to disobey tax regulations, which can lead to aggressive action against corporate taxes. The reason is that companies are more concerned with maintaining cash flow than having to pay high taxes. The results of savings on taxes can be used by companies to meet their short-term obligations.

In addition, one way that companies often use to reduce the tax burden is through the company's debt ratio (leverage). The leverage ratio is a ratio used to measure the extent to which a company's assets are financed with debt (Sari, et, al., 2020). This means that the amount of debt used by the company to finance its business activities when compared to using its own capital. If the company has a high source of borrowed funds, it results in the emergence of interest expenses paid by the company, so that with reduced profits, it reduces the tax burden in one current period.

The size of the company is an indicator to assess how big the company is. Indicators of large, small, and medium companies can be known based on the fixed assets owned by the company. If there are many fixed assets owned, it is classified as a large company. If the fixed assets owned are less than the non-fixed assets, it is classified as a medium-sized company. And if the fixed assets are low, then it is classified as a small company. (Afifah & Hasymi, 2020) stated that the larger the company, the more aggressive it will be towards taxation. Because large companies have better economic and political problems when compared to small companies that are less concerned with tax planning and even tax aggressiveness.

THEORETICAL BASIS

Tax Aggressiveness

Taxes are one of the sources of state revenue used to carry out development for all Indonesian people. Tax is collected from Indonesian citizens and becomes one of the obligations that can be forced to be collected. According to (Goh, et, al., 2019), Tax as an obligation to hand over part of wealth to the state treasury caused by a situation, event, and action that gives a certain position, but not as a punishment, according to regulations set by the government and can be imposed, but there is no reciprocal service from the state directly to maintain general welfare. According to (Herlinda & Rahmawati, 2021) defines tax aggressiveness as a tax avoidance strategy to reduce or eliminate the company's tax burden by using permissible provisions or taking advantage of legal weaknesses in tax regulations or violating provisions by using existing loopholes but still in gray areas. Tax aggressiveness is explained by the main objective of tax activity that avoids paying taxes or makes a significantly low tax burden paid.

Company Size

(Stawati, 2020) Defines company size as scale or value, which can classify a company into large or small categories based on total assets, log size, and so on. The larger the total assets indicate the larger the size of the company. The larger the size of the company, the more complex the transactions will be. So it allows companies to take advantage of existing loopholes to commit tax violation actions from every transaction.

Company size is a scale that can classify companies in various ways, namely total assets, number of sales, number of workers, and others (Tanjaya & Nazir, 2021). This definition is almost similar to the previously stated definitions. Total assets and the amount of sales become a measure of the size of the company. In general, the size of the company can be interpreted as a comparison of the size or size of an object. Company size is a measurement that is grouped based on the size of the company and describes the company's activities and revenue.

Leverage

Leverage is a ratio that indicates the amount of external capital used by a company to carry out its operating activities. The result of the leverage ratio calculation indicates how much of the company's assets come from the company's borrowed capital. If the company has a high source of loan funds, the company will pay high interest expenses to creditors. Interest expense will reduce profits, so that with reduced profits, it reduces tax expenses in one current period. Companies can use the leverage level to reduce profits and will affect reducing tax burden (Rahmadani, et, al., 2020).

The use of leverage will increase profits for shareholders. Conversely, leverage can also increase profit risk, because if the company turns out to get a profit lower than its fixed costs, the use of leverage will reduce the profits that will be achieved by shareholders. Leverage arises when a company uses assets that have fixed operating costs. In the long run, all costs are variable, meaning they can change according to the number of products produced, however, a large level of leverage ratio will also cast doubt on the company's ability to sustain its business continuity in the future. This is because most of the funds obtained by the company are used to finance debt so that funds to operate will decrease. Creditors generally prefer a debt ratio that is low in ratio because in the event of liquidation, losses experienced by creditors can be minimized (Permana, et, al., 2022).

Profitability or Return on Assets (ROA)

Profitability refers to the ability of a company or business entity to generate profits or profits from its operational activities. This is an important measure to assess how effective and profitable a company is in generating higher revenue than the costs and expenses incurred. High profitability indicates that a company can efficiently manage costs and generate greater profits from its business operations. However, it should be noted that the measure of profitability must be viewed in the context of the industry, the size of the company, and its business objectives to gain a more comprehensive understanding of its financial performance (Sulaeman, 2021).

According to (Khomsiyah, et, al., 2021) ROA is a profitability ratio used to measure a company's ability to generate net profit through the efficient use of its assets. The company needs to look at the ability of assets to meet obligations arising from company operations. The higher the ROA results achieved by the company indicates the higher the effectiveness of the company in managing assets to generate profits.

Company Value

Company value is a certain condition that has been achieved by a company as an illustration of public trust in the company after going through a process of activities for several years, starting from the company was established until now (Sari & Marsono, 2020). Corporate value has a very important position for the company because with an increase in the value of the company will be followed by an increase in share price reflecting an increase in shareholder prosperity. For a manager, the value of the company is a benchmark for the work achievements he has achieved. An increase in company value indicates an increase in company performance.

The higher the share price, the higher the shareholders' profits so that this situation will be in demand by investors because with increased demand for shares, the company's value will also increase. The value of the company can be achieved to the maximum if the shareholders hand over the management of the company to people who are competent in their fields, such as managers and commissioners. Company value describes how well or poorly management manages wealth, this can be seen from the measurement of financial performance obtained (Ariska, et, al., 2020).

METHOD

This research is a type of quantitative research, which means that this research focuses on collecting and analyzing data in the form of numbers and statistics to gain an understanding of the phenomenon under study. The research method used is based on the philosophy of positivism, which emphasizes an objective and measurable scientific approach. In the context of this study, researchers seek to understand the phenomenon under study using measurable and repeatable logic and scientific methods. The positivist approach emphasizes that reality can be understood through systematic observation, measurement, and analysis of empirical data.

In this study, the research population is all mining sector companies listed on the Indonesia Stock Exchange in 2017-2021, the total population in this study is 47 companies. Samples were obtained using the purposive sampling method, after selecting samples according to predetermined criteria, 41 companies were obtained. Data analysis using Panel Data Regression, Moderating Regression Analysis, Hypothesis Test, and Determination Coefficient Test,

RESULT

The Effect of Company Size on Company Value

Based on the t-test, it shows that the Company Size variable has a significant negative effect on Company Value in Mining companies for the 2017-2021 period, with a regression coefficient value of -0.263231, this is intended with a t-statistic probability value of -4.232078 and a probability value (Prob.) of 0.0000 smaller than $\alpha = 0.05$ ($0.0000 < 0.05$) so that H_a is accepted or H_0 is rejected. The value of the regression coefficient of the Company Size variable to Company Value is -0.263231, indicating that every increase or decrease in the Company Size of a Mining Company has a significant effect on the increase or decrease in the Value of the Mining Company.

This shows that the size of a company does not affect the value of the company, because the size of the company is not able to guarantee investor interest to invest, because the total assets owned by the company, do not always affect the value of the company. Investors can assume that the company has large total assets but also has a lot of short-term debt. In making investment decisions, investors are more interested if the company has a healthy amount of liabilities with a high level of profit despite the small size of the company.

The Effect of Leverage on Company Value (PBV)

Based on the t-test, it shows that the variable Leverage has a positive and significant effect on the Company Value in Mining companies for the 2017-2021 period, with a regression coefficient value of 0.201382, this is intended with a t-statistic probability value of 3.902879 and a probability value (Prob.) of 0.0001 smaller than $\alpha = 0.05$ ($0.0001 < 0.05$) so that H_a is accepted or H_0 is rejected. The value of the regression coefficient of the variable Leverage to Company Value is 0.201382, indicating that every increase in Leverage achieved by a Mining company will result in an increase in the Company Value of the Mining company.

In conclusion, the results state that in mining companies, increased Leverage is expected to have a positive impact on increasing Company Value. When a company's Leverage ratio increases, the Company's Value tends to increase as well. In this context, increased debt can contribute positively to the value of the company. These results provide an important understanding of how a company's debt levels can affect a company's overall value. With significant influence, this can help decision making in financial planning and business strategy.

The Effect of Profitability on Company Value (PBV)

Based on the t-test, it shows that the Profitability variable has a significant positive effect on the Company Value in Mining companies for the 2017-2021 period, with a regression coefficient value of 1.488530, this is shown by a t-statistic probability value of 3.578847 and a probability value (Prob.) of 0.0005 smaller than $\alpha = 0.05$ ($0.0005 < 0.05$) so that H_a is accepted or H_0 is rejected. The value of the regression coefficient of the variable Profitability to Company Value is 1.488530, indicating that every increase in Profitability achieved by the Mining company will result in an increase in the Company Value of the Mining company.

This interpretation indicates that the efficiency and ability of the company to generate profits from its operational activities has a significant positive impact on the overall value of the company. In this context, increased profitability is defined as the company's ability to generate net profit that is higher than operating costs and other expenses. These conclusions can provide valuable insights into how a company's financial performance and operational effectiveness can affect a company's value assessment.

The Effects of Company Size, Leverage, Profitability and Tax Aggressiveness Together on Company Value

Based on the regression coefficient test of Fixed Effect Model (FEM) panel data, testing the equation together with independent variables, namely Company Size, Leverage and Profitability to Company Value which are entered into the research model using the F test (Simultaneous Test). The F test results show an F-Statistic value of 14.16472 with a probability value (Prob (F-Statistic) of 0.000000 smaller than $\alpha = 0.05$ ($0.000000 < 0.05$) which means H_0 is rejected or H_a is accepted. This shows that the variables Company Size, Leverage and Profitability together have a significant positive effect on the Company Value of mining companies listed on the Indonesia Stock Exchange.

The results of this empirical finding show that Company Size, Leverage, Profitability and Tax Aggressiveness are an integral model in making investment decisions for investors, which is characterized by an increase in Company Value. This means that investors respond positively to Company Size, Leverage, Profitability and Tax Aggressiveness. This can mean that the company has better prospects, thus creating good expectations for investors. This spurs investors to increase their investment in mining companies, by buying many shares of mining companies (overbought) resulting in an increase in company value.

The effect of leverage on company value through moderating variables, tax aggressiveness

The results of the moderating test show a probability value of interaction variables of 0.0488 smaller than $\alpha = 0.05$ which means moderation. This means that the moderation variable proxied with Tax Aggressiveness reinforces the relationship between Leverage to Company Value hence H_a is accepted.

This means that tax aggressiveness taking into account the amount of leverage will affect the value of the company. The company will try its best to regulate tax planning and tax avoidance actions to the maximum, both in terms of minimizing tax costs by regulating the type of company's operational transactions, such as maximizing tax-recognized costs, and minimizing taxable income, so that the company can direct smaller taxable profits so that the income tax paid is also smaller. Tax aggressiveness,

can reach extreme points such as illegal tax avoidance, or legally through maximizing the tax restitution process.

The effect of profitability on company value through moderating variables, tax aggressiveness

The results of the moderating test show a probability value of interaction variables of 0.5452 greater than $\alpha = 0.05$ which means it does not moderate. This means that the moderation variable proxied with Tax Aggressiveness is not able to strengthen the relationship between Profitability to Company Value so H_a is rejected.

This means that tax aggressiveness has not been able to affect the company's profitability which can affect investor response. The response from investors is also not strengthened by tax aggressiveness. So that in the findings of the research results, tax aggressiveness has not been able to moderate the relationship between profitability and company value. The results of the previous partial test that profitability exerts a significant positive influence on the value of the company, but after moderation by tax aggressiveness the moderation results are not significant. It can be said that if there is an increase or decrease in tax aggressiveness, the value of the company will not affect because tax aggressiveness has not been able to affect the company's profitability.

CONCLUSION

The conclusion in this study is that there is a positive and significant influence of the results of statistical analysis that connects the variables of company size (X1), leverage (X2), profitability (X3) to company value (Y). A significance level of 95% indicates that the results found have a fairly high statistical confidence. In statistics, this level of significance describes the probability that the relationship between the variables under study is not the result of chance. The results of this study are expected to provide information to investors about the factors that affect the value of the company so that investors can find out how the company is performing so that it can be used as a consideration in making investment decisions.

There is a positive influence between company size and company value. That is, the larger the size of the company, the higher it is likely that the value of the company will also be higher. A positive influence was found between profitability and company value. This means that the higher the profitability of the company, the more likely it is

that the value of the company will also be higher. So, the conclusion that can be drawn is that within the framework of the study, the size of the company, leverage, and profitability all have a positive influence on the value of the company. It provides important insights into the factors that can influence the assessment of a company's value in the context of the analysis.

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